

The Office of the Beaver County Sheriff

**Audit Report
For the Period January 1, 2006
through December 31, 2007**

**David A. Rossi
Beaver County Controller**

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DAVID A. ROSSI
CONTROLLER



WILLIAM CALHOON
CHIEF DEPUTY CONTROLLER
ALBERT A. TORRENCE
SOLICITOR

BEAVER COUNTY COURTHOUSE
THIRD STREET - BEAVER, PENNSYLVANIA 15009-2196
TELEPHONE: Area Code 724-728-5700

June 1, 2008

Mr. George David
Beaver County Sheriff
Beaver County Courthouse
Beaver, Pennsylvania 15009

Dear Mr. David:

We have audited the records of the Beaver County Sheriff for the period of January 1, 2006 through December 31, 2007 and issued our report thereon dated June 1, 2008.

We conducted our audit in accordance with generally accepted governmental auditing standards. Those standards require we plan and perform the audit to obtain reasonable assurance about whether the financial records are free of material misstatement.

Based upon our review of the financial records, we have made the following findings, observations and recommendations as detailed in this report.

David A. Rossi
David A. Rossi
Beaver County Controller

Scope:

The scope of this audit encompasses the period from January 1, 2006 to December 31, 2007.

Objectives:

Through the completion of internal control questionnaires, control tests, substantive tests, and observation, the following audit objectives were accomplished for this audit:

- Prepare a financial statement for year reviewed
- Evaluate controls over the Sheriff's office checking accounts and change fund
- Ensure that funds are deposited timely
- Ensure that funds received are disbursed to the proper payees
- Ensure that funds held in escrow are adequate and properly documented
- Ensure that funds receipted are applied properly to the case
- Evaluate controls over the DARE Program and its administration
- Ensure that funds due to the Commonwealth are remitted correctly and in a timely manner
- Ensure that void receipts are voided for a valid reason
- Ensure that proper documentation is maintained in the case files
- Evaluate the controls over cash
- Evaluate the controls over purchasing and the administration of the budget
- Evaluate controls over general office procedures

**The Office of the Beaver County Sheriff
Statement of Receipts and Disbursements
January 1, 2006 Trough December 31, 2006**

Beginning Combined Balance January 1, 2006	\$348,567.45
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Receipts:

General Account	2,879,523.84	
Surcharge Account	73,690.00	
Total Receipts		2,953,213.84

Disbursements:

Beaver County	(362,206.80)	
General Payments	(2,514,658.74)	
Surcharge Account	(71,960.00)	
Total Disbursements		(2,948,825.54)

Adjustments:

2006 void errors	141.00	
Total Adjustments		141.00

Ending Balance December 31, 2006	<u>\$353,096.75</u>
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**The Office of the Beaver County Sheriff
Statement of Receipts and Disbursements
January 1, 2007 Trough December 31, 2007**

Beginning Combined Balance January 1, 2007	\$353,096.75
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Receipts:

General Account	3,643,034.48	
Surcharge Account	77,430.00	
Total Receipts		3,720,464.48

Disbursements:

Beaver County	(425,572.79)	
General Payments	(3,164,231.85)	
Surcharge Account	(78,930.00)	
Total Disbursements		(3,668,734.64)

Adjustments:

2006 void errors	(141.00)	
Total Adjustments		(141.00)

Ending Balance December 31, 2007	<u>\$404,685.59</u>
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OFFICE OF THE SHERIFF
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD JANUARY 1, 2006 THROUGH DECEMBER 31, 2007

Note 1: Summary of Significant Accounting Policies - The Sheriff's Office reports on the cash basis of accounting. Under the cash basis of accounting, revenues are recognized when received and expenses recognized when the disbursement is made.

The financial statements are a combined presentation of two bank accounts: The computerized general account and the surcharge account. Transfers were made on a monthly basis from the general account to the surcharge account for costs due to the Commonwealth of Pennsylvania.

Note 2: General Account Receipts/Disbursement Categories - The Sheriffs' Office received money for deposit into the general account for the following: gun applications, gun duplicates, gun permits, complaints, warrants, complaint in mortgage foreclosure, writ to join additional defendant, civil action case, protection from abuse, writ of revival, license to sell firearms, license to sell precious metals, declaration of taking notification/offer, vehicle impoundments, funeral transporting, accident reports, parking violations, tax sale services, advanced payments, deposits to hold real estate and the balances due on real estate, writs of possession, writs with interrogatories, writs of seizure, payments on property sold, money made on sheriff's sales, property claim writs, and additional costs incurred.

Disbursements were made from this account for the following: refund payments, towing costs, costs due to the county and transfers to the surcharge account. Additionally, disbursements were made for case filings (prothonotary/recorder of deeds), tax payments (county, local, claims department), advertising costs, disbursements to financial institutions for land sales and plaintiff disbursements.

Note 3: Surcharge Account Receipts/Disbursement Categories - The Sheriffs' Office received money into the surcharge account from the general account. This money represents fees collected that will be disbursed to the Pennsylvania State Treasury for the Deputies Education Fund. These funds are disbursed to the State Treasury two times each year along with the required reports.

Note 4: D.A.R.E Account Receipts/Disbursements Categories - The DARE program no longer maintains their own checking accounts, accounts have been closed and all funds are deposited to the County through the Treasurer's Office. All expenses are now paid through the Controllers' Office.

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June 1, 2008

Mr. George David
Beaver County Sheriff
Beaver County Courthouse
Beaver, Pennsylvania

Report On Internal Control Structure

We have audited the records of the Beaver County Sheriff for the period January 1, 2006 to December 31, 2007 and have issued our report thereon dated June 1, 2008.

We conducted our audit in accordance with generally accepted auditing standards and Governmental Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial records are free of material misstatement.

In planning and performing our audit of the Office of the Beaver County Sheriff for the period January 1, 2006 to December 31, 2007 we considered the office's internal control structure to determine our auditing procedures for the purposes of expressing our opinion on the financial statements and the office's compliance with applicable regulations and not to provide assurance on the internal control structure.

The management of the office is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statement in accordance with prescribed policies. Because of inherent limitations in any internal control

structure, errors or irregularities may nevertheless occur and not be detected. Also, future reliance on any evaluation of the structure, past or current, is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation. Additionally we assessed control risk for the internal control structure except for matters of compliance. Compliance with applicable laws and regulations was considered when assessing control risk for the internal control structure.

We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the office's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statement.

A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce, to a relatively low level, the risk that material errors or irregularities affecting the financial statements being audited may occur and not be timely detected by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are considered to be material weaknesses as defined above. We noted the following reportable conditions:

- **Daily Receipt Reports Need Reviewed**
- **Checks Should Be Stamped For Deposit Only**
- **Petty Cash On Hand Over Funded**
- **Meal Reimbursement Should Be Reviewed**
- **Explorers Club Bank Balance Should Be Addressed**
- **DARE Applications And Determinations Should Be On File In Sheriff's Office**
- **Uniform Reimbursements Should Conform To County Resolution**
- **County Purchasing Policy Circumvented**
- **A System Of Checks And Balances Should Be Implemented For Checking Accounts**
- **Old Items Remain In Escrow**

For further elaboration of these weaknesses, refer to the "Findings, Observations and Recommendations" section of this audit report.

This report is intended solely for the information and use of management, the office of the controller, and others within the administration. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

David A. Rossi

David A. Rossi
Beaver County Controller

Findings, Observations and Recommendations

Observation: 1 Daily Receipt Reports Need Reviewed

All filings and cost appear to have been properly applied to the cases reviewed. All void receipts appear to have been valid. Receipts were reviewed to insure sequential numbering. One invoice, number 84285, was never created. Discussion between Theresa Matteo of the Sheriff's Department and Steve Selega of Infocon revealed that the system had skipped invoice 84285. When ask how this could happen Steve stated that numbers should never be skipped, however when the system was new it was not uncommon. He also stated that this was the first such occurrence he could recall in years and that they would review to see if they could establish a cause. He has not called to verify the results of his review as of the time this audit was closed.

Conclusion:

The sheriff's office should review daily receipt reports to insure that there are no gaps in receipt numbers. This is necessary to insure that items are not being back dated and that all invoices and associated cash are accounted for.

Observation: 2 Checks Should Be Stamped For Deposit Only

Checks receipted over the counter are endorsed for deposit when receipted. Checks that are receipted through the mail for Beaver County are not being marked for deposit only until a receipt is created which may be several days later.

Conclusion:

Checks received through the mail should be immediately stamped for deposit only.

Observation: 3 Petty Cash On Hand Over Funded

Review of the Sheriff's petty cash fund revealed that there appears to be an excessive amount of cash held in the petty cash fund. The amount of petty cash held in the Sheriff's office constitutes three fourths of the total petty cash needed for an entire year. In addition to this the Sheriff's office has begun using credit cards which will further reduce the need for cash on hand. Further review of the Sheriff's petty cash fund revealed that while the office is tracking funds on individual transaction sheets they are no longer using the petty cash log. The review also revealed that the petty cash fund is out of balances from the last audited amount by \$62.51. This cash shortage was not fully investigated because it was deemed insignificant over a two year period.

Recommendation:

It is recommended that the Sheriff's office determine how much cash is actually necessary for day to day functions and that the balance be applied to the expenses being reimbursed through the County Controllers Office. It is also recommended that the Sheriff's Office return to the use of a petty cash log to track petty cash funds. This will help to insure that petty cash funds are properly accounted for and allow the chief to know the balance in the fund at all times. This will aid in fixing errors as they occur and help prevent the loss of funds from petty cash due to errors.

Observation: 4 Meal Reimbursement Should Be Reviewed

Additional review of the petty cash fund revealed that officers are still being reimbursed for meals anytime they leave the county. This appears to be inappropriate due to changes in the county's travel policy related to local travel and changes in the bargaining agreement with the Sheriff's deputies. According to these changes officers should not be reimbursed for meals unless they travel outside the 100 miles radius from the Beaver County Court House.

Recommendation:

It is recommended that the Sheriff's Office review the current County Travel Policy as it pertains to the Deputies Bargaining Agreement as it would appear that meals should not be reimbursed for simply leaving the county during normal Sheriff's business. The County Travel Policy states that "Expenses for meals for Local Travel are reimbursed only when the meal is a part of a conference, training session, seminar, etc., and is included as part of the registration fee. Approval for exception to this must be received from the Board of Commissioners in advance and in writing."

Observation: 5 Explorers Club Bank Balance Should Be Addressed

While reviewing the petty cash fund an additional unrecognized bank book, with a balance of \$1,347.43, was discovered in the office safe. This bank account appears to be the balance of a now defunct program for an explorers club run by the Sheriff's Office. The Sheriff's Second Deputy stated that the Sheriff was in the process of determining what to do with these funds.

Recommendation:

It is recommended that the Sheriff's Office seek permission from the

County Commissioners to apply the balance of the Explorers Club bank account to one of the other community programs such as Camp Deputy or the Dare Program.

Observation: 6 DARE Applications And Determinations Should Be On File In Sheriff's Office

State grant applications and determinations for the DARE program are not on file in the Sheriff's Office. The clerk responsible for receiving and applying grant funds to the correct accounts can not determine the amount of funding due and the correct application of these funds without copies of grant information.

Conclusion:

It is recommended that copies of all grant applications and state determinations be kept on file in the Sheriff's Office. This information should be used to insure that all funds due the county are received by the Sheriff's department. The deputy in charge of the DARE program should supply copies of the grant information to the clerk responsible for tracking these items.

Observation:7 Uniform Reimbursements Should Conform To County Resolution

Review of the Sheriff's Office accounts payable transmittals and invoices revealed that deputies were reimbursed for some uniform items that exceed the specifications in county resolutions and providers bids. The review revealed that uniform boots were bid at \$75.00 for item 9A Rocky Boot and \$83.00 for item 9B Rocky Para-boot and that deputies were reimbursed for boots ranging from \$137.95 to \$169.95. If these boots were the required Rocky Boots or the Rocky Para-boot the county should not have been charged more than the bid price. If these boots exceeded the allowed specifications of the Rocky Boot or the Rocky Para-boot the officers should not have been reimbursed in excess of the county allotment.

Conclusions:

It is recommended that the Sheriff's Office review county purchasing policies and resolutions pertaining to reimbursements for uniform purchases. While deputies are not limited to the specific items listed on county resolutions and company bid sheets they can not be reimbursed for amounts in excess of the resolution. An example of this would be a deputy purchasing boots for \$158.95 could only be reimbursed for \$83.00, which was the bid price listed on Schedule A of the Bid Sheet from January 11, 2005 for boots. Any amount over the \$83.00 price must be paid by the deputy.

Observation: 8 County Purchasing Policy Circumvented

Review of accounts payable invoices showed that some items were billed on separate invoices with the apparent intent to avoid obtaining purchase orders. One such instance occurred on 7/31/2007 when two invoices were submitted for batteries from A.V. Lauttamus Communications totaling \$271.76. The purchase of items totaling more than \$200.00 in one day require a purchase order even though the items are presented as separate purchases.

Conclusions:

It is recommended that the Sheriff's Office obtain a purchase order for all purchases over \$200.00. It is also recommended that the Sheriff's Office review the county purchasing policy as it applies to items in excess of \$200.00 and a series of same items adding up to \$200.00 or more.

Observation: 9 A System of Checks and Balances Should Be Implemented For Checking Accounts

It was noted that the Sheriff's office continues to require only one signature for check disbursement. The same staff member that is responsible for receiving funds and entering information into Infocon accounting system also prepares and signs checks. These checks are not reviewed by supervisory personnel prior to distribution.

Conclusion:

It is recommended that a system be implemented whereby checks are reviewed by management before being released for payment (this may include a second signature for each check). This is necessary to prevent the possibility of fraud or perceived fraud caused by errors.

Observation: 10 Old Items Remain In Escrow

Review of the Escrow report reveals that some items with no activity as far back as 1999 are still held in the Sheriff's bank accounts. Several cases reviewed appeared to be closed and the Sheriff's Office should review all items on the escrow that have old dates.

Conclusions:

It is recommended that the Escrow Report be reviewed on a regular basis to insure that old items are addressed and that all monies related to closed cases are disbursed to the proper entities.



Beaver County Sheriff's Office

SHERIFF GEORGE J. DAVID

JAY P. ALSTADT, Chief Deputy Sheriff

RANDY J. TALLON, Asst Chief Deputy Sheriff

• CRIMINAL DIVISION •
(724) 773-8549
Fax (724) 728-5080

• CIVIL DIVISION •
(724) 728-3934, Ext. 11243
Fax (724) 728-2412

22August2008

TO: OFFICE OF CONTROLLER
FROM: ASSISTANT CHIEF DEPUTY RANDY TALLON
RE: 2006-2007 AUDIT RESPONSE

Chuck

There were 10 findings in the audit conducted by your Office. I will address each one individually. The office response will be in bold.

1) Daily Receipt Reports Need Reviewed.

Each and every morning clerks are assigned to the 7 to 3 shift. It is their responsibility to review the receipts for the previous day. Generally, two of the clerks will balance the books for the previous day. Any discrepancies will be checked immediately.

2) Checks Should Be Stamped For "Deposit Only."

ALL checks are now marked "DEPOSIT ONLY" upon receipt.

3) Petty Cash On Hand Overfunded.

Petty cash required to be on hand is under review. The Office of Controller is to assess the Office needs and recommend a figure to maintain. The Sheriff's Office was recommended to draw down the figure of approximately \$3,000.00 to approximately \$1,500.00 to remain on hand for as needed purposes. There remains approximately \$3,000.00 in the Petty Cash due to the issuance of credit cards for the purposes of travel required by the Office for Prisoner Transportation and such. The credit cards have eliminated the need to hand out large sums of money for these transportation needs. Currently, the Office has needed smaller sums of monies for the purpose of paying tolls for prisoner and training transportation.

4) Explorer Club Bank Balance Should Be Addressed

The Explorer Club was disbanded during the prior administration. A total of \$1,347.60 was deposited in the Beaver County Sheriff's Office Dare Program.

5) Dare Applications and Determinations Should Be on File in the Sheriff's Office.

All Dare related items are maintained by Louise Battalini and kept on file in the Sheriff's Office.

6) Uniform Reimbursements Should Conform To County Resolution. **Uniform allotment for deputies has been addressed. Currently, all deputies make uniform purchases through M&M Police Supply. If a uniform item of similar nature is located at another source *and is cheaper at that source* the deputy is permitted the purchase.**

7) Meal Reimbursements Should Be Reviewed

The County Travel Policy reference to meal allowance has been reviewed and now conforms to County Policy.

8) County Purchasing Policy Circumvented

Any and all attempt will be made to conform to the County Purchasing Policy.

9) A System of Checks And Balances Should Be Implemented For Checking Accounts.

A daily review is accomplished in the morning by early shift personnel (see Item #1). All monies and checks are balanced first thing in the morning for all transactions of the prior day.

10) Old Items Remain In Escrow

All old issues have been reviewed and corrected. Any item that appears "old" by date remains active and is reviewed regularly.



Randy J. Tallon
Assistant Chief Deputy